

WINTHROP UNIVERSITY
ROCK HILL, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2000

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INDEPENDENT AUDITOR'S REPORT

October 13, 2000

The Honorable James H. Hodges, Governor
and
Members of the Board of Trustees
Winthrop University
Rock Hill, South Carolina

We have audited the accompanying basic financial statements of Winthrop University as of June 30, 2000, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of Winthrop University as of June 30, 1999, were audited by other auditors whose report dated September 23, 1999, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the accompanying basic financial statements of the University are intended to present the financial position, changes in fund balances, and current funds revenues, expenditures, and other changes of only that portion of the funds of the State of South Carolina financial reporting entity that is attributable to the transactions of Winthrop University, an institution of the State of South Carolina. These financial statements do not include other agencies, institutions, departments, funds, or component units of the State of South Carolina primary government. They are not intended to present fairly the financial position and results of operations of the State or its agencies, institutions, departments, or funds in conformity with generally accepted accounting principles.

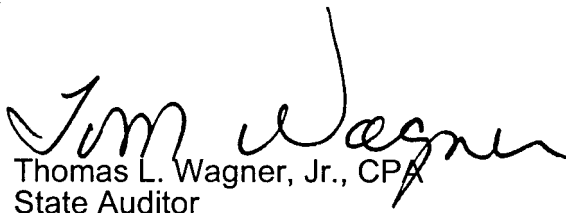
In our opinion, based on our audit the basic financial statements referred to above present fairly, in all material respects, the financial position of Winthrop University at June 30, 2000, and the changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended in conformity with generally accepted accounting principles.

The Honorable James H. Hodges, Governor
and
Members of the Board of Trustees
Winthrop University
October 13, 2000

As discussed in Note 22, the University changed the classifications it uses to report private gifts, and private grants and contracts and those used to report safety and security costs to comply with National Association of College and University Business Officers (NACUBO) Advisory Report 99-1 *Accounting and Reporting for Nongovernmental Grants and Contracts and Gifts* and NACUBO Advisory Report 99-6 *Accounting and Reporting Safety and Security Expenses by Higher Education*.

In addition, as discussed in Note 22, the University changed its capital asset capitalization policy to include certain internal use computer software to comply with NACUBO Advisory Report 99-7 *Accounting and Reporting for Capitalization of Software*.

These financial statements exclude the related entities described in Note 18 from the reporting entity because Winthrop University is not financially accountable for these entities. As part of its affiliated organizations project, the Governmental Accounting Standards Board (GASB) is currently studying other circumstances under which related entities that do not meet the financial accountability criteria would be included in the financial reporting entity.


Thomas L. Wagner, Jr., CPA
State Auditor

BASIC FINANCIAL STATEMENTS

WINTHROP UNIVERSITY

Balance Sheet

June 30, 2000

ASSETS**CURRENT FUNDS****Unrestricted:**

Cash and Cash Equivalents (Note 16)	\$ 3,803,095
Receivables: (Note 14)	
State Appropriations (Note 2)	2,238,422
Student Accounts, Net of Allowance of \$51,341	499,040
Related Parties (Note 18)	145,218
Other	187,805
Inventories (Note 12)	263,979
Prepaid Items	312,560
Accrued Interest Receivable	31,332
Due from Other Funds (Note 13)	809,714

Total Unrestricted	<u>8,291,165</u>
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Restricted:

Federal Grants and Contracts Receivables	467,882
State Grants and Contracts Receivable	145,977
Local Government Grants and Contracts Receivable	16,158
Nongovernmental Grants and Contracts Receivable	10,078
Private Gifts Receivable	16,317
Endowment Income Receivable	15,224
Prepaid Items	2,341

Total Restricted	<u>673,977</u>
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Total Current Funds	<u>\$ 8,965,142</u>
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LOAN FUNDS

Cash and Cash Equivalents (Note 16)	\$ 173,903
Federal Grants and Contracts Receivables	74,947
Loans to Students, Net of Allowance of \$83,374 (Note 14)	2,389,310

Total Loan Funds	<u>\$ 2,638,160</u>
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LIABILITIES AND FUND BALANCES**CURRENT FUNDS****Unrestricted:**

Accounts Payable	\$ 674,103
Accrued Payroll and Related Liabilities	1,643,362
Accrued Interest Payable	9,557
Unearned Student Revenues	455,933
Accrued Compensated Absences and Related Liabilities	1,583,438
Student Deposits	319,755
Fund Balance	3,605,017

Total Unrestricted	<u>8,291,165</u>
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Restricted:

Accounts Payable	56,390
Accrued Payroll and Related Liabilities	8,977
Accrued Compensated Absences and Related Liabilities	50,228
Due to Unrestricted Current Funds (Note 13)	233,789
Fund Balances:	
Grants and Contracts	189,871
Scholarships and Student Aid	134,722

Total Restricted	<u>673,977</u>
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Total Current Funds	<u>\$ 8,965,142</u>
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LOAN FUNDS

Accounts Payable	\$ 1,132
Fund Balances:	
U. S. Government Grants Refundable	2,576,785
University Funds - Restricted	60,243

Total Loan Funds	<u>\$ 2,638,160</u>
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The accompanying notes are an integral part of this financial statement.

WINTHROP UNIVERSITY

Balance Sheet

June 30, 2000

ASSETS

ENDOWMENT AND SIMILAR FUNDS

Cash and Cash Equivalents (Note 16)	\$ 683,335
Total Endowment and Similar Funds	<u>\$ 683,335</u>

PLANT FUNDS

Unexpended:

Cash and Cash Equivalents (Note 16)	\$ 1,691,876
Capital Improvement Bond Proceeds Receivable (Note 3)	6,279,039
Capital Project Funds Receivable (Note 14)	480,880
Accrued Interest Receivable	8,148
Total Unexpended	<u>8,459,943</u>

Retirement of Indebtedness:

Cash and Cash Equivalents (Note 16)	1,159,951
Accrued Interest Receivable	34,798
Total Retirement of Indebtedness	<u>1,194,749</u>

Investment in Plant:

Land and Improvements	1,131,020
Buildings	82,058,286
Furniture, Fixtures, and Equipment (Notes 5 and 6)	5,779,616
Library Books and Materials	9,012,458
Construction in Progress (Note 15)	761,303
Equipment Held Under Capital Lease (Note 7)	168,484
Total Investment in Plant	<u>98,911,167</u>
Total Plant Funds	<u>\$ 108,565,859</u>

AGENCY FUNDS

Cash and Cash Equivalents (Note 16)	\$ 42,894
Total Agency Funds	<u>\$ 42,894</u>

LIABILITIES AND FUND BALANCES

ENDOWMENT AND SIMILAR FUNDS

Fund Balances:	
Endowment - Restricted	\$ 444,602
Quasi-Endowment - Restricted	<u>238,733</u>
Total Endowment and Similar Funds	<u>\$ 683,335</u>

PLANT FUNDS

Unexpended:

Accounts Payable	\$ 107,364
Retainage Payable	234,251
Fund Balances:	
Unrestricted	786,265
Restricted	<u>7,332,063</u>
Total Unexpended	<u>8,459,943</u>

Retirement of Indebtedness:

Accrued Interest Payable	76,455
Due to Unrestricted Current Funds (Note 13)	575,925
Fund Balances - Restricted	<u>542,369</u>
Total Retirement of Indebtedness	<u>1,194,749</u>

Investment in Plant:

Notes Payable (Note 5)	1,200,014
Bonds Payable (Note 4)	2,550,752
Master Lease Program Note Payable (Note 6)	1,522,276
Capital Lease Obligations (Note 7)	106,471
Net Investment in Plant	93,531,654
Total Investment in Plant	<u>98,911,167</u>
Total Plant Funds	<u>\$ 108,565,859</u>

AGENCY FUNDS

Deposits Held for Others	\$ 42,894
Total Agency Funds	<u>\$ 42,894</u>

The accompanying notes are an integral part of this financial statement.

WINTHROP UNIVERSITY
Statement of Changes in Fund Balances
For the Year Ended June 30, 2000

	CURRENT FUNDS			PLANT FUNDS				TOTALS FOR THE YEAR ENDED JUNE 30, 2000 (MEMORANDUM ONLY)
	UNRESTRICTED	RESTRICTED	LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	
Revenues and Other Additions:								
Unrestricted Current Fund Revenues	\$ 56,976,089	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,976,089
State Capital Improvement Bond Revenue (Note 3)	-	-	-	-	4,400,000	-	-	4,400,000
State Appropriations-Restricted (Note 2)	-	2,938,363	-	-	1,000,000	-	-	3,938,363
Federal Grants and Contracts - Restricted	-	15,395,868	34,744	-	-	-	-	15,430,612
State Grants and Contracts - Restricted	-	1,932,377	-	-	-	-	-	1,932,377
Local Grants and Contracts - Restricted	-	95,525	-	-	-	-	-	95,525
Nongovernmental Grants and Contracts - Restricted	-	38,878	-	-	-	-	-	38,878
Private Gifts	-	604,756	-	-	-	-	-	604,756
Interest Income - Restricted	-	-	44,444	-	19,607	103,344	-	167,395
Endowment Income-Restricted	-	28,565	-	-	-	-	-	28,565
U.S. Government advances - restricted	-	-	8,348	-	-	-	-	8,348
Expended for Plant Facilities (Including \$1,031,534 Charged to Current Funds Expenditures)	-	-	-	-	-	-	1,980,396	1,980,396
Retirement of Indebtedness (Including \$484,334 Charged to Current Funds Expenditures)	-	-	-	-	-	-	990,364	990,364
Student Tuition and Fees	-	-	-	-	-	975,719	-	975,719
Other Additions	-	-	5,791	-	1,367	5,374	-	12,532
Total Revenues and Other Additions	56,976,089	21,034,332	93,327	-	5,420,974	1,084,437	2,970,760	87,579,919
Expenditures and Other Deductions:								
Educational and General Expenditures	47,068,810	20,800,590	-	-	-	-	-	67,869,400
Auxiliary Enterprises Expenditures	8,854,200	-	-	-	-	-	-	8,854,200
Indirect Cost Recoveries Remitted to the State General Fund	43,205	-	-	-	-	-	-	43,205
Indirect Costs Recovered	-	78,763	-	-	-	-	-	78,763
Refunded to Grantors	-	41,565	-	-	-	-	-	41,565
Loan Cancellations and Write-Offs	-	-	39,491	-	-	-	-	39,491
Administrative and Collection Costs	-	-	26,300	-	-	-	-	26,300
Expended for Plant Facilities (Including Noncapitalized Expenditures of \$762,719)	-	-	-	-	1,705,327	-	-	1,705,327
Retirement of Indebtedness	-	-	-	-	26,377	479,654	-	506,031
Interest and Executory Fees on Indebtedness	-	-	-	-	-	214,724	-	214,724
Disposal of plant facilities	-	-	-	-	-	-	518,894	518,894
Other Costs	-	-	1,037	-	-	-	-	1,037
Total Expenditures and Other Deductions	55,966,215	20,920,918	66,828	-	1,731,704	694,378	518,894	79,898,937

The accompanying notes are an integral part of this financial statement.

WINTHROP UNIVERSITY
Statement of Changes in Fund Balances
For the Year Ended June 30, 2000

	<u>CURRENT FUNDS</u>		<u>LOAN FUNDS</u>	<u>ENDOWMENT AND SIMILAR FUNDS</u>	<u>PLANT FUNDS</u>			<u>TOTALS FOR THE YEAR ENDED JUNE 30, 2000 (MEMORANDUM ONLY)</u>
	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>			<u>UNEXPENDED</u>	<u>RETIREMENT OF INDEBTEDNESS</u>	<u>INVESTMENT IN PLANT</u>	
Transfers Among Funds - Additions/(Deductions):								
Mandatory:								
Principal and Interest	(242,243)	-	-	-	-	242,243	-	-
Loan Fund Matching Grant	(2,783)	-	2,783	-	-	-	-	-
Nonmandatory: (Note 8)								
Transfer of Funds for Capital Projects	(253,566)	-	-	-	253,566	-	-	-
Transfers of Funds for future debt service	(2,700,000)	-	-	-	-	2,700,000	-	-
Transfer of Funds for operations	2,902,260	-	-	-	-	(2,902,260)	-	-
Transfers of Plant Funds for Capital Projects	-	-	-	-	302,293	(302,293)	-	-
Total Transfers	(296,332)	-	2,783	-	555,859	(262,310)	-	-
Net Increase (Decrease) for the Year	713,542	113,414	29,282	-	4,245,129	127,749	2,451,866	7,680,982
Fund Balances at July 1, 1999	2,891,475	211,179	2,607,746	683,335	3,873,199	414,620	91,079,788	101,761,342
Fund Balances at June 30, 2000	\$ 3,605,017	\$ 324,593	\$ 2,637,028	\$ 683,335	\$ 8,118,328	\$ 542,369	\$ 93,531,654	\$ 109,442,324

The accompanying notes are an integral part of this financial statement.

WINTHROP UNIVERSITY

Statement of Current Funds Revenues, Expenditures, and Other Changes
For the Year Ended June 30, 2000

	2000			1999
	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>	<u>TOTAL</u>
Revenues:				
Student Fees	\$ 19,981,339	\$ -	\$ 19,981,339	\$ 19,086,025
State Appropriations (Note2)	23,687,729	2,809,215	26,496,944	24,563,456
Executive Masters in Business Administration				
Program Fees	125,835	-	125,835	143,935
Application Fees	122,202	-	122,202	112,974
Undergraduate Orientation Fees	71,455	-	71,455	71,510
Other Fees	85,084	-	85,084	113,502
Federal Grants and Contracts	78,763	15,329,138	15,407,901	14,595,185
State Grants and Contracts (Notes 2 and 19)	-	1,892,992	1,892,992	1,571,740
Local Grants and Contracts	-	94,557	94,557	91,462
Non-Governmental Grants and Contracts	-	38,878	38,878	-
Private Gifts	391,694	607,245	998,939	826,536
Interest Income	13,428	-	13,428	99,672
Endowment Income	-	28,565	28,565	60,638
Sales and Services of Educational Departments	1,509,293	-	1,509,293	1,450,865
Sales and Services of Auxiliary Enterprises	9,848,000	-	9,848,000	9,323,578
Sales and Services of Athletic and Related Events	702,154	-	702,154	673,244
Sales - Student Organizations	75,307	-	75,307	76,907
Payment Plan for Student Tuition and Fees	133,740	-	133,740	104,535
Other Sources	150,066	-	150,066	106,892
Total Current Revenues	<u>56,976,089</u>	<u>20,800,590</u>	<u>77,776,679</u>	<u>73,072,656</u>
Expenditures and Mandatory Transfers:				
Educational and General:				
Instruction	20,043,326	503,267	20,546,593	18,628,682
Research	55,509	187,081	242,590	239,700
Public Service	1,351,607	2,182,820	3,534,427	3,557,072
Academic Support	5,541,162	9,014	5,550,176	5,300,942
Student Services	5,695,558	108	5,695,666	5,294,526
Institutional Support	5,558,628	-	5,558,628	5,653,468
Operation and Maintenance of Plant	5,756,253	-	5,756,253	4,818,307
Scholarships and Fellowships	3,066,767	17,918,300	20,985,067	19,733,173
Total Educational and General Expenditures	<u>47,068,810</u>	<u>20,800,590</u>	<u>67,869,400</u>	<u>63,225,870</u>
Mandatory Transfers for Loan Fund Matching Grant	2,783	-	2,783	3,799
Total Educational and General	<u>47,071,593</u>	<u>20,800,590</u>	<u>67,872,183</u>	<u>63,229,669</u>

The accompanying notes are an integral part of this financial statement.

WINTHROP UNIVERSITY
Statement of Current Funds Revenues, Expenditures, and Other Changes
For the Year Ended June 30, 2000

	2000			1999
	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>	<u>TOTAL</u>
Expenditures and Mandatory Transfers (Continued):				
Auxiliary Enterprises:				
Housing Expenditures	5,297,180	-	5,297,180	4,449,071
Health Services Expenditures	765,040	-	765,040	752,947
Food Service Expenditures	2,727,575	-	2,727,575	2,440,733
Vending Expenditures	<u>64,405</u>	<u>-</u>	<u>64,405</u>	<u>83,935</u>
Total Auxiliary Enterprises Expenditures	8,854,200	-	8,854,200	7,726,686
Mandatory Transfers for Principal and Interest	<u>242,243</u>	<u>-</u>	<u>242,243</u>	<u>5,001,467</u>
Total Auxiliary Enterprises	<u>9,096,443</u>	<u>-</u>	<u>9,096,443</u>	<u>12,728,153</u>
Total Expenditures and Mandatory Transfers	<u>56,168,036</u>	<u>20,800,590</u>	<u>76,968,626</u>	<u>75,957,822</u>
Other Transfers and Additions/(Deductions):				
Nonmandatory Transfers In	2,902,260	-	2,902,260	4,963,907
Nonmandatory Transfer Out	(2,953,566)	-	(2,953,566)	(500,000)
Excess (Deficiency) of Restricted Receipts	-	-	-	-
Over Transfers to Revenues	-	154,979	154,979	68,286
Refunded to Grantors	-	(41,565)	(41,565)	(57,642)
Indirect Cost Recoveries Remitted to the State				
General Fund	<u>(43,205)</u>	<u>-</u>	<u>(43,205)</u>	<u>(59,534)</u>
Total Other Transfers and Additions/ (Deductions)	<u>(94,511)</u>	<u>113,414</u>	<u>18,903</u>	<u>4,415,017</u>
Net Increase (Decrease) in Fund Balances	<u>\$ 713,542</u>	<u>\$ 113,414</u>	<u>\$ 826,956</u>	<u>\$ 1,529,851</u>

The accompanying notes are an integral part of this financial statement.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for generally accepted accounting principles (GAAP) for all state governmental entities including colleges and universities. The financial statements of Winthrop University have been prepared in accordance with GAAP, as outlined in GASB Statement No. 15. That statement permits the entity to use the American Institute of Certified Public Accountants (AICPA) College Guide model. The AICPA College Guide model is the accounting and financial reporting guidance as defined by the AICPA Industry Audit Guide, *Audits of Colleges and Universities*, as amended by the AICPA Statement of Position (SOP) 74-8, *Financial Accounting and Reporting by Colleges and Universities*, as modified by applicable Financial Accounting Standards Board (FASB) pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements.

A summary of significant accounting policies follows.

Reporting Entity

The core of the financial reporting entity is the primary government which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. The University has determined it has no component units and the financial reporting entity includes only the University (a primary entity).

A primary government or entity is financially accountable if its officials or appointees appoint a voting majority of an organization's governing body including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary government or entity that holds one or more of the following powers:

- (1) Determines its budget without another government's having the authority to approve and modify that budget.
- (2) Levies taxes or sets rates or charges without approval by another government.
- (3) Issues bonded debt without approval by another government.

The organization is fiscally independent if it holds all three of those powers. Based on these criteria, the University has determined it is not a component of another entity and it has no component units. This financial reporting entity includes only the University (a primary entity).

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Primary Entity

The University is a State-supported, coeducational institution of higher education. The University is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the institution. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total operating funds. The laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of the University. The University was established as an institution of higher education by Section 59-125-10 of the Code of Laws of South Carolina. The University's campus is located in Rock Hill, South Carolina. The University is part of the primary government of the State of South Carolina and its funds are reported in the State's higher education funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although the State-supported universities operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoint most of their board members and budgets a significant portion of their funds.

The Board of Trustees, is composed of the Governor and the State Superintendent of Education, or their designees, who are members ex officio; seven other members, each elected by the joint vote of the General Assembly; two graduates of the University to be appointed by the Alumni Association of Winthrop University; and one at-large trustee appointed by the Governor. The Chair of the Faculty Conference and the President of the Student Government Association serve as invited members without voting rights. The Board is responsible for the scope of educational programs, policy or eligibility for enrollment, and other policy matters. The Board administers, has jurisdiction over, and is responsible for the management of the University.

The accompanying financial statements present the financial position, changes in fund balances, and current funds revenues, expenditures, and other changes of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the University.

Basis of Accounting

The financial statements of the University have been prepared on the accrual basis except that, in accordance with accounting practices customarily followed by governmental educational institutions, no provision is made for depreciation of physical plant assets, interest on loans to students is recorded when collected, and revenue from tuition and student fees for summer sessions is reported totally within the fiscal year in which the session is primarily conducted. Otherwise, revenues are reported in the accounting period when earned and become measurable and expenditures when materials or services are received or when incurred, if measurable. Unrestricted state appropriations are recognized as revenue when received or made available. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. The statement does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenue and expenses.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Mandatory transfers are amounts moved between fund groups/subgroups to be used for the purposes of the recipient fund. They are limited to those arising out of binding legal arrangements related to financing the educational plant (e.g., construction, repairs, debt amortization, and interest); agreements to match gifts and grants; or required matching of certain federal loan programs. All other interfund transfers are reported as nonmandatory transfers. Nonmandatory transfers are made at the discretion of the governing body for a variety of purposes. They may include the retransfer of unspent resources to the fund which initially provided the monies.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of alterations and renovations; purchases and normal replacement of movable equipment; computer software developed or obtained for internal use; and library books and other materials; (2) mandatory transfers in the case of required provisions; and (3) transfers of a nonmandatory nature in all other cases.

Fund Accounting - University Funds

Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed by sources outside the institution or in accordance with directions issued by the governing board. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups and subgroups. Accordingly, all financial transactions have been recorded and reported by fund group and subgroup.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may be utilized only in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds, over which the governing board retains full control to use in achieving any of its institutional purposes.

All realized gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owns such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds which is accounted for in the fund to which it is restricted or, if unrestricted, as revenue in unrestricted current funds, except for certain quasi-endowment income which is required to be added to the principal or when the endowment agreement requires the income to be added to the corpus. For these exceptions, income is reported in the endowment and similar funds group. For those University endowment agreements which require current earnings not used for the restricted purpose to be added to the corpus, the University records a mandatory transfer to move these monies to the endowment fund group.

All other unrestricted revenues are accounted for in unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting - University Funds (Continued)

The *Current Funds* group includes those economic resources which are expendable for operating purposes to perform the primary missions of the University, which are instruction, research, and public service. For a more meaningful disclosure, the current funds are divided into two subgroups: unrestricted and restricted. Separate accounts are maintained for auxiliary enterprises operations. Current funds are considered unrestricted unless the restrictions imposed by the donor or other external agency are so specific that they substantially reduce the University's flexibility in their utilization. Unrestricted gifts are recognized as revenue when received and other unrestricted resources are recorded as revenue when earned. Receipts that are restricted are recorded initially as additions to restricted fund balances and recognized as revenue to the extent that such funds are expended for the restricted purposes during the current fiscal year and met all related requirements.

Current Funds Auxiliary Enterprises are essentially self-supporting business entities and activities that exist for the purpose of furnishing goods and services primarily to students, faculty, staff, or departments and for which charges are made that directly relate to such goods and services. Revenue and expenditures are reported separately as unrestricted current funds. Assets, liabilities, and fund balances are combined with other unrestricted current funds for reporting purposes; however, each separate enterprise maintains its own assets, liabilities, and fund balance. Auxiliary enterprises activities include housing, food services, bookstore, student health services, and vending operations (which includes student long-distance telephone services). The portion of the University's unrestricted current funds balance related to its auxiliary enterprises was \$2,181,982 at June 30, 2000.

The *Loan Funds* group accounts for the resources available for loans to students from donors, government agencies, and mandatory institutional matching grants. Loan funds have been divided into those provided by the federal government and those provided by other sources. Expenditures include costs of loan collections, loan cancellations, collectibility reserves, and administrative costs under the federal loan programs. To the extent that current funds are used to meet required provisions for grant matching, they are accounted for as mandatory transfers.

The *Endowment and Similar Funds* group includes endowment funds and funds functioning as endowments (quasi - endowment). Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. All of the University's endowments require the income to be used for specified purposes. While quasi-endowment funds have been established by the governing board for the same purposes as permanent endowment funds, subject to any restrictions imposed by the donor of the resources, any unrestricted portion of the principal as well as income may be expended at the discretion of the governing board. The term "principal" is construed to include the original value of an endowment and subsequent additions and realized gains/losses attributable to investment transactions.

The *Plant Funds* group consists of three self-balancing subgroups: (1) unexpended plant funds, (2) funds for retirement of indebtedness, and (3) investment in plant. The unexpended plant funds subgroup accounts for the resources derived from various sources (and any debt related to unexpended resources) to finance the acquisition of long-life assets and to provide for routine renewal and replacement of existing

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting - University Funds (Continued)

plant assets. The retirement of indebtedness subgroup accounts for resources that are specially assessed and/or specifically accumulated for interest and principal payments and other debt service charges related to plant fund indebtedness bonded debt and the athletic facilities note payable. [Debt service expenditures for capital lease obligations and bank and Master Lease program notes payable outstanding at June 30, 1999, are reported as current funds expenditures]. The investment in plant subgroup accounts for all long-life assets in the service of the University, all construction in progress, and related debt for funds borrowed and expended for the acquisition of plant assets included in this fund subgroup. Net investment in plant represents the excess of the carrying value of plant assets over the related liabilities. Receipts legally designated solely for plant improvements; renewals and replacements; or debt service are recorded directly in the University's applicable plant fund subgroup as revenue.

The *Agency Funds* group accounts for the assets held on behalf of others in the capacity of custodian or fiscal agent; consequently, transactions relating to agency funds do not affect the operating statements of the University. They include the accounts of students, student organizations, and other groups directly associated with the University.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures/expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Indirect Cost Recoveries

The University records restricted current funds revenue for governmental grants and contracts in amounts equal to direct costs incurred. The University reports as unrestricted revenue recoveries of indirect costs applicable to sponsored programs at negotiated fixed rates for each year. The recoveries are also recorded as additions and deductions of restricted current funds. Indirect cost recoveries must be remitted to the State General Fund except those received under research and student aid grants which may be retained by the University. Also, after January 1, 1999, federal grants and contracts whose annual award is two hundred thousand dollars or less are exempted from the requirement to remit recoveries to the State General Fund.

Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave. This policy also applies to 12-month faculty and 9-month staff. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination. The University calculates the compensated absences liability based on recorded balances of unused leave for which the

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences - (Continued)

employer expects to compensate employees through paid time off or cash payments at termination. That liability is inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments and is recorded in unrestricted and restricted current funds. The net change in the liability is recorded in the current year in the applicable current funds functional expenditure categories.

Investment in Plant

Physical plant and equipment, except for plant assets acquired prior to June 30, 1981, and equipment acquired under capital lease, are stated at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. A capital asset contributed to the University by another State agency is valued at the cost to the agency which originally acquired the asset. Plant assets acquired prior to June 30, 1981, are stated at historical cost when determinable or at estimated historical cost. Equipment additions purchased through capital leases or installment purchase contracts are capitalized in the investment in plant funds subgroup in the year of acquisition at their total cost, excluding interest charges. Equipment under capital leases and installment agreements is stated at the lower of the present value of minimum lease payments, including the down payment, at the beginning of the lease term or fair value at the inception of the lease. Payments of principal and interest on such contracts are recorded in the applicable educational and general expenditure categories of the current funds group as the installments are paid.

Infrastructure assets include streets, sidewalks, parking lots, drainage systems, lighting systems, utility systems, and similar assets that are immovable and of value only to the University which reports these assets as land improvements and values them at cost.

Construction expenditures are recorded at cost in the unexpended plant funds when incurred and simultaneously capitalized at total expenditures less noncapitalized costs as construction in progress in the investment in plant funds subgroup. Any associated debt is simultaneously transferred to the investment in plant funds group also. When construction projects are substantially complete and ready for use, construction in progress costs are reclassified to the appropriate plant asset accounts.

Library books, periodicals, microfilms, and other library materials on computer data storage devices are recorded at cost when purchased or fair market value at the date of donation.

Effective for fiscal year 2000 and future years, computer software costs to be capitalized include the external direct costs of materials and services consumed in developing or obtaining internal-use computer software; payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project; interest costs incurred when developing computer software; and costs to develop or obtain software that allows for access or conversion of old data by new systems. These costs are incurred during the application development stage. The costs of computer software developed or obtained for internal use are amortized on a straight-line basis over the life of the asset. See Note 22 for additional information about the related accounting change.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Plant (Continued)

Current funds expenditures for acquisition of capital assets are simultaneously recorded in both the current funds expenditure accounts of the various operating departments and in the investment in plant funds subgroup.

The University capitalizes major additions and renovations to plant assets; qualifying equipment with a unit value in excess of \$5,000 and a useful life in excess of one year; computer software with a unit value in excess of \$100,000 and useful life in excess of one year; and all library collection materials regardless of cost. When plant assets and equipment are sold, retired, or otherwise disposed of, the carrying value at cost, estimated historical cost, or fair market value at date of gift, where applicable, is removed from the investment in plant subgroup. The values of library materials are removed annually at average cost per type of library media. In accordance with practices followed by governmental educational institutions, depreciation on physical plant and equipment is not recorded.

Capitalized Interest

The University capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with the capital projects. Therefore asset values in the investment in plant subgroup do include such interest costs. The University had no interest cost qualifying for capitalization in fiscal 2000.

Unearned Student Revenues

In unrestricted current funds, unearned student revenues consist primarily of student tuition and fees and room and board collected in advance for the summer and fall academic terms. Revenues are recognized in the period in which the sessions are predominantly conducted and services are provided or the semester for which the fee is applicable and earned.

Student Deposits

Student deposits represent dormitory room deposits and apartment deposits, admission deposits and security deposits for possible room damage. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Fee Waivers

Student tuition and fees revenues include all such amounts assessed against students (net of refunds) for educational purposes even in those cases in which there is no intention of collection. These revenue amounts are offset by equal expenditures. The amounts of such remissions or waivers are recorded and classified as scholarships and fellowships expenditures or as staff benefits in the applicable current funds functional expenditure categories. State law provides that educational fee waivers may be offered to no more than two percent of the undergraduate student body.

Other Fees

Other fees generally consist of revenue resulting from occasional or one-time fees that don't directly relate to the cost of instruction such as fees for student applications, fines and orientation.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue of Educational Departments

Revenues from sales and services of educational activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from public service activities.

Prepaid Items

Expenditures for insurance and similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the University, amounts reported in this asset account consist primarily of prepaid insurance maintenance and service agreements, travel reservations and deposits, and library periodicals.

Fund-raising Costs

All fund-raising activities are conducted by the Winthrop Foundation. Fund-raising costs incurred by the University are reimbursed by the Winthrop Foundation. Such costs are initially recorded by the University in the Institutional Support Functional expenditure category. The University reduces the expenditure account once it is reimbursed by the Foundation.

Cash and Cash Equivalents

The amounts shown in the financial statements in University funds as "cash and cash equivalents" represent petty cash and other cash on hand, cash on deposit in banks, cash on deposit with the State Treasurer, and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool.

Most State agencies including the University participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. For credit risk information pertaining to the internal cash management pool, see the deposits disclosures in Note 16.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The University records and reports its deposits in the general deposit account at cost. Whereas, it reports its deposits in the special deposit accounts at fair value. Investments held by the pool are reported at fair value. Interest earned by the University's special deposit accounts is posted to its account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the University's accumulated daily interest income receivable to the total income receivable of the pool. Reported interest income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value on investments held by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the University's percentage ownership in the pool.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from those earnings exceeds the effective yield on the related tax-exempt debt issued. Governmental units may avoid the requirement to rebate the "excess" earnings to the federal government under certain circumstances, if they issue no more than \$5 million in total of all such debt in a calendar year or if they meet specified targets for expenditures of the proceeds and interest earnings thereon. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases.

The federal government only requires arbitrage be calculated, reported, and paid every five years or at maturity of the debt, whichever is earlier. The expenditure and liability, if any, are recorded in the retirement of indebtedness subgroup. The University had no rebatable arbitrage for the period presented.

Information Technology Costs

Information technology (IT) costs are not separately budgeted and reported by benefiting functional expenditure classification but those related to the college's missions of instruction, research, and public service are budgeted and reported in the academic support category and other IT costs are reported in institutional support.

Intraentity Transactions and Balances

Transactions that would be treated as revenues or expenditures if they involved organizations external to the University are accounted for as revenues and expenditures in the funds involved. Reimbursement transactions for expenditures initially made by one fund that are applicable to another are recorded as expenditures in the reimbursing fund. Expenditures initially made by the University for related parties or other external parties and reimbursed by those parties are eliminated.

Reclassification

In the prior year, the University reported accrued interest related to certain endowments as an accrued interest receivable in Restricted Current Funds. The amounts previously presented as accrued interest receivable are presented as accrued endowment income receivable in the current year.

In the prior year, the University reported certain Fees as Other Fees in Unrestricted Current Funds of the statement of Current Funds Revenues, Expenditures, and Other Changes. The amounts previously presented as Other Fees are presented as Executive Masters in Business Administration Program Fees, Application Fees, Undergraduate Orientation Fees and Other Fees.

Comparative Totals and Totals (Memorandum Only) Column

Amounts in the "Totals (Memorandum Only)" column of Exhibit B present an aggregation of financial statement line-items to facilitate financial analysis. Such amounts are not comparable to a consolidation and do not present financial information in conformity with GAAP. Interfund eliminations have not been made in the aggregation of this data except expenditure reimbursements.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Totals and Totals (Memorandum Only) Column (Continued)

The comparative totals for the prior year on Exhibit C are included to provide a summarized comparison with current year totals. The prior year totals are not intended to present all of the information necessary for a fair presentation of operations or current funds financial activities in accordance with generally accepted accounting principles.

NOTE 2 - STATE APPROPRIATIONS

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year. The original appropriation is the University's base budget amount presented in the General Funds column of Section 5L of Part IA of the 1999-2000 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2000:

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 2 - STATE APPROPRIATIONS - (Continued)

Original Appropriation	\$20,166,488
State Budget and Control Board Allocations:	
Employee Base Pay Increases and Related	
Employee Benefits (Proviso 63C.10.)	640,513
401K Plan Matching Contribution (Proviso 72.48)	24,203
Appropriation Allocations from the State	
Commission on Higher Education (CHE):	
From the Children's Education Endowment Fund for:	
Palmetto Fellows Scholarship	459,758 (A)
Need-Based Student Grants	467,492 (A)
For Access and Equity Desegregation Funding	
(Proviso 5A.6.)	27,816
For LIFE Scholarships (1998 Act 418)	1,831,903 (A)
For Performance Funding (recurring)	727,178
From Supplemental Appropriations (Part IV of the	
2000 Appropriation Act) for	
Performance Funding Increase (non-recurring)	215,127
Academic Endowment Incentive Match	88,737 (A)
From Capital Reserve Fund Appropriations (August 1999	
Joint Resolution R201, H3697) for Performance Funding	1,679,318
For Academic Endowment Incentive Match	
(Code of Laws 59-118-40)	70,989 (A)
For Need-Based Student Grants	19,484 (A)
Supplemental Appropriations from 1999 Surplus	
State General Fund Revenues (Part IV of the 2000	
Appropriation Act) for Scientific Equipment	<u>1,000,000</u>
Revised Appropriations - Legal Basis	27,419,006
Accrued Funding for Net Payroll Accrual Adjustment	<u>207,086</u>
State Appropriations Revenue - Accrual Basis	<u>\$27,626,092</u>
State Appropriations revenue is reported in the following funds:	
Unrestricted Current Funds	\$23,687,729
Restricted Current Funds for Higher Education	
Grant/Scholarship and Other restricted-use Funding	2,938,363 (A)
Unexpended Plant Funds for Capital Projects	
Funding for Scientific Equipment	<u>1,000,000</u>
	<u>\$27,626,092</u>

Certain of the University's payroll expenditures are funded from State General Fund appropriations. The "state appropriations receivable" reported in unrestricted current funds represents monies due from the State General Fund for applicable University personal services and employer contributions expenditures accrued at June 30 but paid in July from fiscal year 2001 State General Fund appropriations. State law provides for such payroll costs to be paid from the next year's appropriations.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 2 - STATE APPROPRIATIONS (CONTINUED)

In addition, the University received from the State Commission on Higher Education allocations of Education Improvement Act funding as follows: \$1,289,010 for the Teacher Recruitment Program (pursuant to Proviso IA.32 of the 2000 Appropriation Act), \$232,725 for the Math/Science Program, \$120,574 for the State Arts in Basic Curriculum program, \$6,243 for STAR scholarships, and \$100,000 for the At Risk Initiative program. All of these amounts are reported as state grants and contracts in the restricted current funds.

NOTE 3 - STATE CAPITAL IMPROVEMENT BONDS

In the current and prior fiscal years, the State authorized and made available funds for improvements and expansion of University facilities using the proceeds of state capital improvement bonds. As capital projects are authorized by the State Budget and Control Board, the bond proceeds are allocated to the projects. When the funds are authorized, the University records the proceeds as revenue in the unexpended plant funds. These authorized funds can be requested as needed once State authorities have given approval to begin specific projects. The University is not obligated to repay these funds to the State. The total balance receivable for the undrawn portions of the authorizations is reported in the balance sheet as "capital improvement bond proceeds receivable." A summary of the activity in the balances available from these authorizations during the year ended June 30, 2000, follows:

<u>Act</u>	<u>Total Authorized</u>	<u>Amount Drawn in Prior Years</u>	<u>Amount Drawn in Fiscal Year Ended June 30, 2000</u>	<u>Balance Authorized June 30, 2000</u>
646 of 1978	\$ 269,750	\$ 269,676	\$ -	\$ 74
538 of 1986	3,558,000	3,555,364	-	2,636
111 of 1997	6,750,000	3,402,710	1,470,961	1,876,329
28 of 1999	<u>4,400,000</u>	<u>-</u>	<u>-</u>	<u>4,400,000</u>
Total	<u>\$14,977,750</u>	<u>\$7,227,750</u>	<u>\$1,470,961</u>	<u>\$6,279,039</u>

The amount authorized by Act 28 of 1999 is for renovations to the Peabody Gymnasium. Funding is available as expenditures are made.

NOTE 4 - BONDS PAYABLE

Bonds Payable

At June 30, 2000, bonds payable consisted of the following:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>June 30, 2000 Balance</u>
State Institution Bonds			
Series 1991F	5.8-6.1%	3-1-01	\$ 125,000
Series 1993A	4.1-5.2%	3-1-08	1,775,000
Auxiliary Facilities			
Revenue Bonds Series 1997	5.47%	11-1-09	<u>650,752</u>

Liability Reported in Investment in Plant **\$2,550,752**

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 4 - BONDS PAYABLE (CONTINUED)

Bonds Payable (Continued)

The various bond indentures restrict the use of particular revenue sources. State institution bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Receipts from tuition, matriculation fees, and other fees legally designated solely for the purpose of debt retirement are recorded directly in the retirement of indebtedness subgroup of the plant funds group. Tuition and fees paid to the University are restricted up to the amount of annual debt requirements for the payment of principal and interest on state institution bonds. The auxiliary facilities revenue bond covenants require the University to pledge the revenues of the bookstore for payment of principal and interest. The auxiliary enterprises revenues restricted for debt retirement are reflected as mandatory transfers from unrestricted current funds to the retirement of indebtedness subgroup of the plant funds group.

The \$810,000 in proceeds from the auxiliary facilities revenue bonds were used to purchase an off-campus bookstore. Bond principal and interest are payable semiannually. Amounts including interest required to complete payment of the revenue bonds obligations as of June 30, 2000, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 53,876	\$ 34,869	\$ 88,745
2002	56,863	31,882	88,745
2003	60,016	28,729	88,745
2004	63,344	25,401	88,745
2005	66,856	21,889	88,745
2006 through 2010	<u>349,797</u>	<u>49,554</u>	<u>399,351</u>
Total Obligations	<u>\$650,752</u>	<u>\$192,324</u>	<u>\$843,076</u>

During fiscal years 1991 and 1993, the University issued state institution bonds in the amounts of \$1,000,000 and \$2,815,000 respectively. The proceeds of these bonds were used to make renovations, improvements, and additions to and furnish University facilities.

The bond documents outline certain covenant terms to secure the bonds. For the state institution bonds, the University must maintain its tuition rates and charges at amounts necessary to maintain certain specified earning levels. For the auxiliary revenue bonds and the state institution bonds, the University must generate net revenues available for debt service of not less than 125% and 100% of debt service payments due in each bond year. State institution bond covenants require tuition fees sufficient to pay bond obligations. The University is required to revise the schedule of tuition fees whenever necessary to meet the annual principal and interest requirements on all state institution bonds.

Beginning March 1, 2003, the Series 1993A state institution bonds may be redeemed at a premium prior to mandatory redemption and final maturities at the option of the State. The redemption prices for these bonds range from 102% in 2002 to 100% in 2004.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 4 - BONDS PAYABLE (CONTINUED)

Bonds Payable (Continued)

All of the University's state institution bonds are payable in annual installments with semiannual interest payments. Amounts including interest required to complete payment of the state institution bonds obligations as of June 30, 2000, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 310,000	\$ 95,540	\$ 405,540
2002	190,000	79,590	269,590
2003	205,000	70,660	275,660
2004	210,000	60,820	270,820
2005	225,000	50,530	275,530
2006 through 2008	<u>760,000</u>	<u>80,100</u>	<u>840,100</u>
Total Obligations	<u>\$1,900,000</u>	<u>\$437,240</u>	<u>\$2,337,240</u>

During the year ended June 30, 2000, the University made state institution bond principal payments of \$290,000. It also reported interest expenditures of \$110,140 and \$1,511 of executory fee expenditures related to these bonds. Also in the current year, the University made auxiliary bond principal payments of \$51,045. It also reported interest expenditures of \$37,700 related to these bonds.

The South Carolina State Budget and Control Board has authorized the University to issue \$11,000,000 in student housing revenue bonds in fiscal year 2001.

The State Budget and Control Board has approved fiscal year 2001 issuance of \$2,400,000 in athletic facilities revenue bonds. The proceeds will be used to make improvements to the baseball stadium, the soccer field, the softball complex, and the coliseum. In addition, the existing State of South Carolina Athletic Facilities note administered by State Treasurer's Office will be renegotiated and amortized over ten years with the anticipation of a more favorable interest rate.

The State Budget and Control Board has also approved the issuance of \$5,000,000 in state institution bonds. \$3,750,000 of these bonds will be issued in fiscal year 2001 and the remaining \$1,250,000 will be issued in fiscal year 2002. These thirty year bonds will be issued at an interest rate of 5.75 percent. The proceeds will be used to increase the budget for completion of the Sims Life Sciences Building.

Debt Service Limitation On State Institution Bonds

S.C. Code of Laws Section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees (as defined by Code Section 59-107-30) for the preceding fiscal year. Tuition fees for the fiscal year ended June 30, 1999, were \$659,798 which results in a legal annual debt service limit at June 30, 2000, of \$593,818.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 5 - NOTES PAYABLE

At June 30, 2000, notes payable consisted of the following:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>June 30, 2000 Balance</u>
State of South Carolina Note (Athletic Facilities) Series 1981	6.5%	1-1-06	\$1,046,546
Bank Note (8/96)	5.05%	8-1-01	<u>153,468</u>
Total Notes			<u>\$1,200,014</u>

A special student fee and a special admissions fee on all paid admissions to the athletic facilities are restricted to the payment of principal and interest on the athletic facilities note and are recorded in student tuition and fees revenues and other additions in the retirement of indebtedness plant funds subgroup. The bank notes will be repaid from available unrestricted resources and the debt service payments will be reported as unrestricted current funds expenditures.

Proceeds from the bank note of \$476,000, dated October 25, 1996, were used to purchase combination microwave/refrigerator units for dormitory use. The note is collateralized by the units which are recorded in the investment in plant funds subgroup as equipment and valued at approximately \$499,700. The note requires the University to pay all insurance, property taxes, if any, and to maintain the equipment in good working order.

During Fiscal year 1981, the University issued athletic facilities notes in the amount of \$2,620,000. The proceeds of these notes were used to construct and equip an athletic coliseum (field house).

The athletic facilities and bank notes are payable in semiannual and annual installments, respectively, plus interest. Amounts including interest required to complete payment of the note obligations as of June 30, 2000, are as follows:

Athletic Facilities Note

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 147,764	\$ 65,663	\$ 213,427
2002	157,525	55,902	213,427
2003	167,930	45,497	213,427
2004	179,023	34,404	213,427
2005	190,849	22,578	213,427
2006	<u>203,455</u>	<u>9,972</u>	<u>213,427</u>
Total Obligations	<u>\$1,046,546</u>	<u>\$234,016</u>	<u>\$1,280,562</u>

Bank Note

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$102,467	\$6,448	\$108,915
2002	<u>51,001</u>	<u>1,275</u>	<u>52,276</u>
Total Obligations	<u>\$153,468</u>	<u>\$7,723</u>	<u>\$161,191</u>

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 5 - NOTES PAYABLE (CONTINUED)

The University reported principal and interest expenditures of \$138,608 and \$74,819 on the athletic facilities note in fiscal year 2000 in the retirement of indebtedness plant funds subgroup. For the bank note, the University reported fiscal year 2000 principal and interest expenditures of \$97,240 and \$11,675 in the applicable functional expenditure categories of the unrestricted current funds.

NOTE 6 - MASTER LEASE PROGRAM NOTES PAYABLE

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2000, the University had a bank notes payable outstanding, as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Note dated June 1, 1998	4.69%	June 1, 2002	\$ 317,066
Note dated June 1, 1998	5.11%	June 1, 2005	673,846
Note dated June 1, 1998	5.11 %	June 1, 2005	<u>531,364</u>
Total			<u>\$1,522,276</u>

Proceeds from the original bank note of \$640,000, were used to purchase central academic computing equipment. As the University purchased this equipment, cash in the escrow account was reduced. In fiscal year 2000, the University made its last payment for this equipment which left \$26,377 remaining in the escrow account which was recorded in the unexpended plant funds subgroup. These funds were returned to the bank and the bank note obligation was reduced accordingly. That transaction was reported as a deduction in unexpended plant funds and simultaneously as a reduction of debt in the investment in plant funds subgroup. The note is collateralized by the equipment valued at \$613,623. The note requires the University to pay all insurance, property taxes, if any, and to maintain the equipment in good working order.

Proceeds from the original bank notes of \$899,750 and \$709,500, with outstanding balances at June 30, 2000, of \$673,846 and \$531,364, respectively, were used to acquire campus-wide telephone system equipment and voice and data cabling equipment, respectively. The notes are collateralized by the respective equipment which is recorded in the investment in plant funds subgroup as buildings and valued at approximately \$864,000 and \$685,000, respectively.

The notes are payable in annual installments plus interest. Amounts including interest required to complete payment of the bank note obligations as of June 30, 2000, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 373,167	\$ 76,399	\$ 449,566
2002	390,387	58,041	448,428
2003	240,444	38,776	279,220
2004	252,731	26,489	279,220
2005	<u>265,547</u>	<u>13,675</u>	<u>279,222</u>
Total Obligations	<u>\$1,522,276</u>	<u>\$213,380</u>	<u>\$1,735,656</u>

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 6 - MASTER LEASE PROGRAM NOTES PAYABLE (CONTINUED)

In addition to the \$26,377 unspent note proceeds returned to the bank, debt service payments for fiscal year 2000 were \$448,327, of which \$93,891 represented interest. The routine debt service payments on Master Lease obligations are funded from unrestricted resources and reported in the applicable unrestricted current funds functional expenditure categories.

NOTE 7 - LEASE OBLIGATIONS

The University is obligated under various operating leases for the use of automobiles and other equipment. In addition, the entity is obligated under a capital lease for the acquisition of equipment.

Future commitments for the capital lease and for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2000, were as follows:

<u>Year Ending June 30</u>	<u>Capital Lease</u>	<u>Operating Leases</u>
2001	\$ 37,800	\$ 88,539
2002	37,800	74,066
2003	37,800	61,445
2004		44,743
2005		<u>3,525</u>
Total Minimum Lease Payments	113,400	<u>\$272,318</u>
Less: Interest	<u>6,929</u>	
Principal Outstanding/Present Value of Net Minimum Payments	<u>\$106,471</u>	

Capital Lease

In the prior fiscal year, the University entered into a capital lease for a voice processing system for \$168,484. The capital lease is payable in monthly installments from unrestricted current funds resources and has a term expiring in June 2003. The equipment collateralizes the lease liability. Exhibit A reports the equipment as "equipment held under capital lease" in the investment in plant funds subgroup. Capital lease expenditures for fiscal year 2000 were \$37,800, of which \$5,142 represented interest.

Operating Leases

The University's noncancelable operating leases for automobiles and equipment having remaining terms of more than one year expire in various fiscal years from 2002 through 2005. The University's short-term leases are for equipment. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

The University leased a computer terminal from the South Carolina Law Enforcement Division. The lease term is month-to-month and requires annual lease payments of \$3,941.

Total operating lease expenditures in fiscal year 2000 were \$16,427 for computer equipment and \$335,444 for automobiles and other equipment. The University reports these costs in the applicable current funds functional expenditure categories.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 8 - NONMANDATORY INTERFUND TRANSFERS

Tuition, fees, and other revenues pledged for debt service when collected remain in the debt service accounts of the retirement of indebtedness plant funds subgroup until they are transferred by the State Treasurer into a general capital improvements funding account which the University reports in the unexpended plant funds subgroup. In fiscal year 2000, the University transferred \$302,293 for that purpose which is reported as a nonmandatory transfer and the unexpended balance in the general capital projects funding account of the unexpended plant funds subgroup is reported in unrestricted fund balance.

Debt service funds become available for transfer because of the maintenance of minimum balances including reserves for payment of debt service and facility operating costs as required by bond indentures and law. For state institution bonds issued by the State of South Carolina on behalf of the University, the State Treasurer automatically transfers qualified funds. As needed, monies are transferred from the general capital funding account to specific capital project accounts. For the most part, once projects have been approved by the State Budget and Control Board, institutions are authorized to make transfers for specific projects with notification to the State Treasurer. Unexpended balances of specific capital projects are reported as restricted fund balances in the unexpended plant funds subgroup. During the current year, the University transferred \$100,000 within the unexpended plant funds subgroup from the general funding accounts to finance specific capital projects.

In addition, during fiscal year 2000, the University recorded other operating interfund transfers. A summary of these nonmandatory transfers is as follows:

<u>From</u>	<u>FUND</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Unrestricted Current		Retirement of Indebtedness	\$2,700,000	Housing revenues to be used for future debt service and housing operations
Retirement of Indebtedness		Unrestricted Current	2,902,260	To finance housing auxiliary enterprise operations
Unrestricted Current		Unexpended Plant	253,566	Funding for renovations and Window replacements

NOTE 9 - PENSION PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 9 - PENSION PLANS (CONTINUED)

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 30 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after five years of service and qualify for a survivor's benefit upon completion of 15 years credited service. Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years credited service. A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 1999, the employer contribution rate became 9.50 percent which included a 1.95 percent surcharge to fund retiree health and dental insurance coverage. Effective January 1, 2000, the surcharge was increased to 2.16 percent to cover the cost of providing such services and the employer contribution rate became 9.71 percent. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2000, 1999, and 1998, were \$1,557,086, \$1,369,715, and \$1,397,917, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$30,935 in the current fiscal year at the rate of .15 percent of compensation.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Employees covered under PORS are eligible for a monthly pension payable at age 55 with a minimum of five years service or 25 years credited service regardless of age. In addition, employees who have five years of credited service prior to age 55 can retire yet defer receipt of benefits until they reach age 55. A member is vested for a deferred annuity with five years service. The benefit formula for

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 9 - PENSION PLANS (CONTINUED)

full benefits effective since July 1, 1989, for the PORS is 2.14 percent of the employee's average final salary multiplied by the number of years of credited service. Disability annuity benefits and the group-life insurance benefits for PORS members are similar to those for SCRS participants. Accidental death benefits provide a monthly pension of 50 percent of the member's budgeted compensation at the time of death.

Since July 1, 1988, employees participating in the PORS have required to contribute 6.5 percent of all compensation. Effective July 1, 1999, the employer contribution rate became 12.25 percent which, as for the SCRS, included the 1.95 percent surcharge. Effective January 1, 2000 the surcharge to fund retiree health and dental insurance coverage was increased to 2.16 percent to cover the cost of providing such services and the employer contribution rate became 12.46 percent. The University's actual contributions to the PORS for the years ending June 30, 2000, 1999, and 1998, were \$36,145, \$33,646, and \$34,671, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$702 and accidental death insurance contributions of \$702 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

The amounts paid by the University for pension, group-life insurance, and accidental death benefits are reported as employer contributions expenditures within the applicable current funds' functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates to SCRS and PORS are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest 12 consecutive quarters of compensation).

The Systems do not make separate measurements of assets and pension liabilities for individual employers. Under Title 9 of the South Carolina Code of Laws, the University's liability under the plans is limited to the amounts of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the University's liability under the pension plans is limited to the contribution requirements for the applicable year from amounts appropriated therefor in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the University recognizes no contingent liability for unfunded costs associated with participation in the plans.

At retirement, employees participating in the SCRS or PORS receive additional service credit (at a rate of 20 days equals one month of service) for up to 90 days for accumulated unused sick leave.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

Note 9 - PENSION PLANS (CONTINUED)

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty and administrative staff of the State's four-year higher education institutions and, effective July 1, 1998, to certain teachers and administrators of the State's publicly-supported technical colleges who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 1.95 percent from July 1, 1999, to December 31, 1999, and 2.16 percent from January 1, 2000, to June 30, 2000, from the employer in fiscal year 2000.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$546,216 (excluding the surcharge) from the University as employer and \$434,078 from its employees as plan members. In addition, the University paid \$10,852 for group-life insurance coverage for these employees. All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

An Act passed by the General Assembly, which had not been signed by the Governor as of June 30, 2000, will amend Chapter 1, Title 9, of the 1976 Code of Laws, relating to the South Carolina Retirement System effective July 1, 2000, with some provisions effective January 1, 2001. The amendment will enact the Teacher and Employee Retention Incentive Program, reduce from thirty to twenty-eight the years of creditable service required to retire at any age without penalty and make other changes to the SCRS.

NOTE 10 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 10 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

pension surcharge and provided from other applicable fund sources of the University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, approximately 20,100 State retirees meet these eligibility requirements.

The University recorded employer contributions expenditures within the applicable functional expenditure categories for these insurance benefits for active employees in the amount of \$1,792,585 for the year ended June 30, 2000. As discussed in Note 9, the University paid \$615,364 applicable to the 1.95 percent surcharge for July 1, 1999, to December 31, 1999, and the 2.16 percent surcharge for January 1, 2000, to June 30, 2000, included with the employer contributions for retirement benefits.

Information regarding the cost of insurance benefits applicable to University retirees is not available. By State law, the University has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Division to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

NOTE 11 - DEFERRED COMPENSATION PLANS

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

The State appropriated funds from unspent fiscal year 1998-1999 State General Fund appropriations above the ten percent set aside, for contributions to 401(k) accounts of eligible State employees whose salaries are funded from State General Fund Appropriations. In addition, the 2000 Appropriation Act required agencies to match certain 401(k) contributions by employees whose salaries are funded from other applicable revenue resources. The appropriated 401 (k) match was limited to \$300 per employee. To be eligible an employee must have met the following eligibility requirements:

1. The employee was a permanent full-time state employee for 24 months as of July 1, 1999, and was employed on the date of distribution and
2. The employee established a 401(k) account with annual contributions equal to the match (This requirement was not applicable for employees earning less than \$20,000).

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 11 - DEFERRED COMPENSATION PLANS (CONTINUED)

In April 2000 the agency made contributions from State appropriations and other applicable funding sources of \$118 in total to the 401(k) account of each eligible State employee for a total of \$35,164 for all University employees. The expenditures are reported in the applicable functional expenditure categories in which the salaries for the benefitting employees are recorded.

NOTE 12- INVENTORIES

Inventories for internal use are valued at cost. Inventories for resale are valued at the lower of cost or market. The following is a summary by inventory category of cost determination method and value at June 30, 2000:

<u>Category</u>	<u>Method</u>	
Central Supply	First-in, first-out	\$187,372
Fuels	First-in, first-out	57,169
Printing Services	First-in, first-out	<u>19,438</u>
		<u>\$263,979</u>

NOTE 13 - INTERFUND LIABILITIES AND BORROWINGS

For the most part, the University operates out of one cash account which is recorded in unrestricted current funds. At fiscal year-end, entries are made to properly reflect cash balances by fund group and subgroup and to report interfund liabilities for deficit cash balances in the State's internal cash management pool accounts by fund. Deficits may occur due to grants funded on a reimbursement basis. In addition, during the year, certain interfund borrowings occurred. All of the amounts are payable within one year without interest. Individual interfund balances outstanding at June 30, 2000, were as follows:

	<u>Receivable</u>	<u>Payable</u>
Unrestricted Current Funds	\$809,714	\$ -
Restricted Current Funds	-	233,789
Retirement of Indebtedness Plant Funds	<u>-</u>	<u>575,925</u>
Totals	<u>\$809,714</u>	<u>\$809,714</u>

The amount due to unrestricted current funds from retirement of indebtedness plant funds is monies from auxiliary enterprise housing revenues transferred by nonmandatory transfer to the retirement of indebtedness plant funds. The excess funds remain in the retirement of indebtedness subgroup until needed to finance housing auxiliary enterprise operations. At year end the University recognizes the remaining cash balance in the retirement of undebtedness plant funds as an interfund liability due to the unrestricted current fund.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 14 - ACCOUNTS, STUDENT LOAN NOTES, AND OTHER RECEIVABLES

The University has the following significant and/or unique receivables in its various fund groups and subgroups at June 30, 2000.

Unrestricted Current Funds:

Receivables:

State Appropriations for Accrued Payroll (Note 2)	\$ <u>2,238,422</u>
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Student Accounts Receivable:

For Student tuition, fees, room and board	\$ 550,381
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Less: Allowance for Doubtful Accounts	<u>51,341</u>
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Net Balance	\$ <u>499,040</u>
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Related Parties:	\$ <u>145,218</u>
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Other:

Joynes Conference Center Receivable	\$ 74,000
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Special Contract Courses Receivable	12,800
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Contract Receivable	10,197
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Camp Fees Receivable	9,700
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McFeat Early Childhood Program Receivable	4,029
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Employee Travel Advance	1,404
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Other Receivables	<u>75,675</u>
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	\$ <u>187,805</u>
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Loan Funds:

Student Notes Receivable:

Perkins Loan Program	\$ 2,472,684
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Less: Allowance for Doubtful Accounts	<u>83,374</u>
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Perkins Loan Program, Net	\$ <u>2,389,310</u>
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Unexpended Plant Funds:

Capital Project Funds Receivable	\$ <u>480,880</u>
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With minor exceptions, allowances for losses for student loan receivables and certain student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current loan and account portfolios. No allowance for losses has been recorded for other receivables. The University has determined that an allowance is not necessary considering the collection history of these receivables. The capital project funds receivable represents the remaining balance of \$775,000 in Capital Reserve Fund monies authorized and made available in fiscal year 1999 for the acquisition of scientific equipment.

NOTE 15 - CONSTRUCTION COSTS AND COMMITMENTS

The University has obtained the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized in the applicable plant asset categories upon completion. Management estimates that the University has sufficient resources available and/or future

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 15 - CONSTRUCTION COSTS AND COMMITMENTS (CONTINUED)

resources identified to satisfactorily complete the construction of such projects which are expected to be completed in varying phases over the next two years at an estimated total cost of \$9,885,000. Of the total cost, \$8,130,867 is unexpended at June 30, 2000. Of the unexpended balance at June 30, 2000, the University had remaining commitment balances of approximately \$341,615 with certain property owners, engineering firms, construction contractors, and vendors related to these projects.

Major capital projects at June 30, 2000, which constitute construction in progress that are to be reclassified to the applicable plant asset categories when completed are listed below.

<u>Project Title</u>	<u>Estimated Cost</u>	<u>Amount Expended</u>
Old Sims Renovation	\$6,775,000	\$1,500,828
Athletic Facilities	2,500,000	69,336
Thompson Renovations	600,000	180,969
American Legion Preliminary Land Acquisition	<u>10,000</u>	<u>3,000</u>
Total	<u>\$9,885,000</u>	<u>\$1,754,133</u>

The "amount expended" includes both noncapitalized project expenditures and capitalized costs. At June 30, 2000, the net difference between expenditures on these projects and construction in progress equals \$992,830.

The University anticipates funding these projects out of current resources, future bond issues, state capital improvement bond proceeds, private gifts, and student fees.

NOTE 16 - DEPOSITS

All deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority for investing State funds. Certain monies are deposited or invested with or managed by financial institutions as authorized by the State Treasurer.

The following schedule reconciles deposits and investments within the footnotes to the balance sheet amounts:

<u>Balance Sheet</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$7,555,054	Cash on Hand	\$ 191,483
		Deposits Held by State	
		Treasurer	7,338,571
		Other Deposit	25,000
	<u>\$7,555,054</u>		<u>\$7,555,054</u>

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 16 - DEPOSITS (CONTINUED)

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2000, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Other Deposits

The University's other deposits at year-end were entirely covered by federal depository insurance or by collateral held by the University's custodial bank in the University's name. Loan funds includes \$25,000 restricted cash for a loan participation deposit.

NOTE 17 - ENDOWMENT AND SIMILAR FUNDS

The endowment and similar funds cash and cash equivalents are placed on deposit with the State Treasurer.

NOTE 18 - RELATED PARTIES

Certain separately chartered legal entities whose activities are related to those of the University exist primarily to provide financial assistance and other support to the University and its educational program. They include the Winthrop University Foundation, the Alumni Association of Winthrop University, and the Winthrop University Eagle Club. The activities of these entities are not included in the University's financial statements. However, the University's statements include transactions between the University and these related parties.

In conjunction with its implementation of GASB Statement No.14 and each fiscal year thereafter, management reviewed its relationships with the entities described in this note. The University excluded these entities from the reporting entity because it is not financially accountable for them. As part of its affiliated organizations project, the GASB is currently studying other circumstances under which organizations that do not meet the financial accountability criteria would be included in the financial reporting entity. Depending on the outcome of that project and other future GASB pronouncements, some or all of these parties may become component units of the University and/or part of the financial reporting entity.

The Winthrop University Foundation was incorporated November 8, 1973, under the laws of South Carolina as an educational and scientific eleemosynary foundation to establish and implement a program of fund-raising to assist in the expansion and improvement of the educational functions of Winthrop University. In the event of dissolution, the assets of the Foundation would be transferred to Winthrop University.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 18 - RELATED PARTIES (CONTINUED)

The Alumni Association of Winthrop University was incorporated June 4, 1929, under the laws of South Carolina as an educational, social, fraternal, and eleemosynary foundation to promote the growth, progress, and general welfare of Winthrop University. In the event of dissolution for any cause, the assets of the Association would be transferred to the Board of Directors of the Winthrop University Foundation for the use and benefit of Winthrop University. Effective July 1, 1992, the Association transferred restricted and endowed funds to the Foundation to be managed by it subject to all restrictions and conditions established by the donors of the funds. Effective for fiscal year 1994 and future years, the Association will be accounted for in the Foundation's financial statements as an agency fund.

The Foundation has agreed to establish an endowment account of \$500,000 for the benefit and use of the Association based on goals and a timeable to be determined, but not later than July 1, 2002. The balance of the endowment account at June 30, 2000, was \$70,000. The Association will have unrestricted use of all interest earned on this fund.

The Foundation funds the Association's annual operating budget, which was \$83,000 for the year ended June 30, 2000. The Foundation administers the "Alumni Annual Giving Program."

The Winthrop University Eagle Club (the Club) was incorporated May 16, 1978, under the laws of South Carolina as an educational, social, and fraternal eleemosynary organization to assist in encouraging the attendance at Winthrop University of prospective students who would be expected to contribute to intercollegiate athletics of the University. The assets of the Club are included in the assets of the Foundation for tax purposes; however, the Club retains full control over such assets.

Various transactions occur between the University and these parties. The \$145,218 receivable from the related parties (due from the Foundation) is separately reported in the unrestricted current funds assets. The assets, liabilities, and financial operations of these organizations are not included in the accompanying financial statements of Winthrop University. During the year ended June 30, 2000, the University received \$582,756 from the Foundation which was restricted for scholarships and which is reported as restricted current funds private gifts revenue and scholarship expenditures. The University also reports as unrestricted current funds \$316,903 from the Foundation for alumni/development staff salaries and various unrestricted purposes. Of this amount, \$46,581 is reported as unrestricted private gifts revenue with the remaining amount accounted for in the unrestricted current funds as a reimbursement of alumni/development costs (a contra-expenditure). The Foundation reimburses the University for various administrative costs. Of the receivable, \$53,758 is a contra-expenditure and \$91,460 is reported as revenue. The receivables from these organizations include fourth quarter reimbursements. The majority of the remaining receivables are for scholarships. The Foundation also functions as custodian for the Alumni Association's restricted and endowment funds investments. At June 30, 2000, the Foundation held \$217,897 for the Alumni Association. These funds are reported on the Foundation's audited financial statements as pooled investments, at cost, and deposits held in custody in the Foundation's agency funds.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 19 - TRANSACTIONS WITH STATE ENTITIES

The University has significant transactions with the State of South Carolina and various State agencies.

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, and bond trustee services from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plans administration, insurance plans administration, audit services, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

The University had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for pension and insurance plans, employee and employer contributions, insurance coverage, surplus property disposal fees, and interagency mail service. Significant payments were also made for unemployment and workers' compensation coverage for employees to the Employment Security Commission and State Accident Fund. The amounts of 2000 expenditures applicable to these transactions are not readily available.

See Note 2 for details concerning Education Improvement Act Funds received from the State Department of Education.

NOTE 20 - CONTINGENCIES AND LITIGATION

The University is from time to time involved in legal proceedings and claims from various parties arising in the normal course of business and covering a wide range of matters. Because, in the opinion of management and legal counsel, the risk of material loss in excess of insurance coverage for such risks is remote, the outcome of the legal proceedings and claims is not expected to have a material adverse effect on the financial position of the University. Therefore, an estimated liability has not been recorded.

The various federal programs administered by the University for fiscal year 2000 and prior years are subject to examination by the federal grantor agencies. At the present time, amounts, if any, which may be due federal grantors have not been determined but the University believes that any such amounts in the aggregate would not have a material adverse effect on the financial position of the University. Therefore, an estimated loss has not been recorded.

In fiscal year 2000 the University settled a lawsuit which had been filed in August 1998 involving a professor who was not promoted. The lawsuit was fully covered by insurance.

NOTE 21 - RISK MANAGEMENT

Insurance Coverage

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 21 - RISK MANAGEMENT

Insurance Coverage (Continued)

the prior year. Settled claims have not exceeded this coverage in any of the past three years. The University pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits. Building damage losses in excess of 80 percent of replacement cost are not expected to be covered. For property losses and property-related torts, the University's deductible is \$250. For other torts there is no deductible.

State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits (Employment Security Commission);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered public employees for health and dental insurance benefits (Office of Insurance Services); and
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverages listed above are through the applicable State self-insured plan except dependent and optional life premiums are remitted to commercial carriers.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following University assets, activities, and/or events:

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles, aircraft, and watercraft (inland marine);
4. Torts;
5. Builders Risk;
6. Natural disasters; and
7. Medical malpractice claims against covered clinics and their employees

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. Also, the IRF purchases reinsurance for catastrophic property and medical professional liability insurance. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially.

State agencies and other entities are the primary participants in the State's Health and Disability Insurance Fund and in the IRF.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 21 - RISK MANAGEMENT (CONTINUED)

Insurance Coverage (Continued)

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees with access to any assets for losses arising from theft or misappropriation. The University also obtains director/officer liability coverage for all directors/officers for wrongful acts that may occur. The policy limit is \$2,000,000 for that coverage.

In addition, the University obtains through commercial insurers certain specialized coverages as follows:

1. Crime policy for theft, disappearance, and destruction of cash and negotiable instruments that may occur during the two annual registration periods of 30 days each. The policy limit is \$570,000.
2. Coverage for students, teachers, and supervisors registered in the McFeat Early Childhood Program (nursery school, day care center, and kindergarten activities sponsored by the University). The policy limit for accidental medical payments is \$25,000.
3. Accident/sickness policies for athletes who are full-time students and for all participants of Winthrop University academic and athletic camps. The policy limits are \$25,000 for accidental medical and \$10,000 for accidental death. This policy is intended to cover the deductible portion of NCAA coverage referred to below.

Included as part of its participation fees, the University receives accident insurance coverage for athletes participating in National Collegiate Athletic Association (NCAA) events.

The University has recorded insurance premium expenditures in the applicable functional expenditure categories of the current funds. These expenditures include, and the related liability has been recorded for, probable and reasonably estimable premium adjustments resulting from actual loss experience for workers' compensation coverage provided by the insurer for the fiscal year for all entities it insures. The University is insured for such coverage under a retrospectively rated policy and premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

In management's opinion, claim losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the University's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded at year-end. Therefore, no loss accrual has been recorded.

The University has not transferred the portion of the risk of loss related to insurance policy deductibles, unreported claims, underinsurance, and co-insurance to a State or commercial insurer. The University has not reported an estimated claims loss expenditure, and the related liability at June 30, 2000, based on the requirements of GASB Statements No. 10 and No. 30, which state that a liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2000, and the amount of the loss is reasonably estimable.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 21 - RISK MANAGEMENT (CONINTUED)

Insurance Coverage (Continued)

As described above, the University does not carry insurance coverage for building damage losses in excess of 80 percent of replacement cost and policy deductibles of \$250 per occurrence for property losses and property-related tort claims. The building contents including equipment and supplies are insured for an amount based on the value of the equipment in the building.

Self-Insurance

University management believes for risks of loss the occurrence of which it considers a remote likelihood (e.g., total destruction of a building and all of its contents, including equipment and supplies or business interruption and cessation of all University operations for an indeterminate period due to an earthquake or other natural disaster), it is more economical to manage such risks internally and fund repair/replacement costs resulting from such losses, should they occur, from unrestricted current funds resources and rely on state and federal government disaster assistance to cover uninsured losses. No uninsured events related to such self-insured risks of loss occurred in fiscal year 2000.

NOTE 22 - ACCOUNTING CHANGES AND RECLASSIFICATIONS

Accounting principles include not only accounting principles and practices but also the methods of applying them.

Effective July 1, 1999, the University adopted National Association of College and University Business Officers (NACUBO) Advisory Report 99-1 *Accounting and Reporting for Nongovernmental Grants and Contracts and Gifts*, which modifies the *Financial Accounting and Reporting Manual for Higher Education (FARM)*. In previous years private gifts, grants and contracts were reported together in one revenue account. Two classifications have been created to provide better disclosure and accountability for resources that are a result of donor activity and of resources that are the result of acquiring grants and contracts from nongovernmental entities including individuals and other private sources. This change did not have an effect on any net increase (decrease) in fund balance for the year. The following shows the effects of these revenue account classification changes, pro forma effects on previously reported 1999 balances and the actual effects on 2000 reporting.

Effective July 1, 1999, the University adopted NACUBO Advisory Report 99-6 *Accounting and Reporting Safety and Security Expenses by Higher Education* which modifies the *FARM*. Safety and security expenses are now reported in the operation and maintenance of plant current funds functional expenditure category. In previous years, such expenditures were reported as institutional support. This change did not have an effect on any net increase (decrease) in fund balance for the year. The following is a summary of the proforma effects on previously reported balances for the above accounting changes.

WINTHROP UNIVERSITY
Notes to Financial Statements
June 30, 2000

NOTE 22 - ACCOUNTING CHANGES - (CONTINUED)

Statement of Changes in Fund Balances:	1999			2000
	As Previously Reported	Pro Forma Effect	Pro Forma Balance	Actual Effect
<u>Unrestricted Current Funds</u>				
Private Gifts, Grants, and Contracts	\$213,955	\$<213,955>	\$ -	\$ -
Private Gifts	-	213,955	213,955	391,694
<u>Restricted Current Funds</u>				
Private Gifts, Grants, and Contracts	612,581	<612,581>	-	-
Nongovernmental Grants and Contracts		102,939	102,939	38,878
Private Gifts		509,642	509,642	607,245

Statement of Current Funds Revenues, Expenditures, and Other Changes:

<u>Unrestricted Current Funds</u>				
Institutional Support	5,653,468	<369,119>	5,284,349	5,558,628
Operation and Maintenance of Plant	4,818,307	369,119	5,187,426	5,756,253

Balance Sheet:

<u>Restricted Current Funds</u>				
Other Grants and Contracts Receivable	263,035	<263,035>	-	-
State Grants and Contracts Receivable	-	232,929	232,929	145,977
Local Government Grants and Contracts Receivable	-	338	338	16,158
Nongovernmental Grants and Contracts Receivable	-	15,020	15,020	10,078
Private Gifts Receivable	-	14,748	14,748	16,317

The following is a summary of the effect on fee revenues previously reported as other fees in unrestricted current funds.

Statement of Current Funds Revenues, Expenditures, and Other Changes:	1999			2000
	As Previously Reported	Proforma Effect	Proforma Balance	Actual Effect
<u>Unrestricted Current Funds</u>				
Other Fees	\$441,921	\$<328,419>	\$113,502	\$ 85,084
Executive Masters in Business Administration Program Fees	-	143,935	143,935	125,835
Application Fees	-	112,974	112,974	122,202
Undergraduate Orientation Fees	-	71,510	71,510	71,455

Effective July 1, 1999, the University adopted NACUBO Advisory Report 99-7 *Accounting and Reporting for Capitalization of Software* which modifies the *FARM*. This report adopted American Institute of Certified Public Accountants (AICPA) Statement of Position 98-1 *Accounting for Costs of Computer Software Developed or Obtained for Internal Use* for public not-for-profit higher education institutions. Effective July 1, 1999, the University implemented a policy which defines the nature of costs of internal use software to be capitalized and the cost and useful life thresholds for capitalization of such costs. In prior years, all such computer software costs were reported in current funds in the academic support and

WINTHROP UNIVERSITY
Notes to Financial Statements
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NOTE 22 - ACCOUNTING CHANGES - (CONTINUED)

institutional support expenditure categories. That expenditure reporting treatment is unchanged. The University incurred no software costs in the current or prior fiscal year that met the new capitalization criteria. This statement does not require restatement of prior period costs. Note 1 describes the University's policy for capitalizing computer software developed or obtained for internal use; reporting a deduction for the annual amortization of capitalized costs; and reporting both capitalized software and non-capitalized information technology costs.

NOTE 23 - SALE OF LAND

The State of South Carolina Budget and Control Board has authorized the University to sell land at an appraised value of \$23,600 and retain the proceeds to reduce outstanding debt on the bookstore.